

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|  |   |          |
|--|---|----------|
| THE APPLICATION OF RUSSELL COUNTY GAS    | ) |          |
| UTILITY, INC. FOR A CERTIFICATE OF       | ) |          |
| CONVENIENCE AND NECESSITY TO CONSTRUCT   | ) | CASE NO. |
| AND FINANCE A GAS DISTRIBUTION SYSTEM IN | ) | 89-125   |
| JAMESTOWN AND RUSSELL SPRINGS, KENTUCKY, | ) |          |
| AND FOR APPROVAL OF GAS RATES            | ) |          |

O R D E R

On May 12, 1989, Russell County Gas Utility, Inc. ("Russell County") filed an application for a Certificate of Public Convenience and Necessity to construct and operate a natural gas transmission line and distribution system. The application also seeks Commission approval of initial rates for service and of the proposed construction's financing.

CONSTRUCTION

In April 1989, the cities of Russell Springs and Jamestown, Kentucky, granted Russell County 20-year franchises to operate natural gas distribution systems in their cities. Russell County proposes to serve both cities by constructing a transmission line which will tie into the trunk line of Columbia Gulf Transmission Company ("Columbia Gulf") at a delivery point located in Adair County, Kentucky, approximately 1.5 miles north of Columbia, Kentucky. A service station that includes a pressure reducing facility, a meter system, and odorization injection equipment will

be built at the delivery point. The proposed transmission pipeline will consist of 22 miles of 6-inch steel pipe and 7 miles of 4-inch steel pipe. The distribution system will consist of 14 miles of 4-inch mains and 28 miles of 2-inch mains. All mains will be made of polyethylene plastic. The Commission has reviewed the specifications for the transmission pipelines and distribution system and finds them to be in accordance with the regulations of the United States Department of Transportation and this Commission.

The total cost of the proposed construction is estimated to be \$4,655,265. Russell County has already received bids from its selected contractor, Garrison Construction Company, Inc. According to the submitted bids, the transmission pipeline will cost \$2,162,125. The submitted bids for the construction of the natural gas distribution system are \$2,158,840, but Russell County expects to incur additional costs of \$334,300 to construct the system.

Total financing required for the proposed construction, including contingencies, interest during construction, engineering fees, underwriters' fees, and bond issuance costs, is approximately \$6.5 million. Financing will be accomplished through the issuance of 20-year tax exempt bonds by the Kentucky Development Finance Authority ("KDFA"). Insurance costs and underwriters' fees which cannot be paid through the bond proceeds will be financed through an equity contribution of \$436,000. The face value of these bonds will be \$6,058,800 with a coupon rate of 11.5 percent.

### REQUEST FOR DEVIATION

In its application, Russell County also requests authority to deviate from Commission Regulation 807 KAR 5:022, Section 9(17)(a)(2). The proposed deviation would allow Russell County, rather than its customers, to assume responsibility for the ownership and maintenance of service lines. Russell County contends that eliminating the customer's cost of installing and maintaining a service line will make natural gas service more financially attractive to the public and, therefore, should increase the number of subscribers to its new distribution system.

The Commission has previously authorized deviations from Commission Regulation 807 KAR 5:022, Section 9(17)(a)(2), to permit utility ownership of service lines.<sup>1</sup> The Commission found in both instances that safety and economic benefits resulted from utility ownership. The Commission finds that Russell County's request is consistent with those cases and that a deviation should be granted to Russell County under the same terms and conditions as granted in those cases.

---

<sup>1</sup> Case No. 10127, Application of Columbia Gas of Kentucky Inc., for an Order Authorizing it to Amend its Tariff and for Authority to Deviate from Commission Regulation 807 KAR 5:022, Section 9(17)(a)(1), and 807 KAR 5:022, Section 9(17)(a)2 (November 10, 1988); Case No. 89-041, The Application of Delta Natural Gas Company, Inc. for an Order Authorizing it to Amend its Tariff and for Authority to Deviate from Commission Rules in Order to Permit Company Ownership of Customer Service Lines (August 17, 1989).

### OPERATING EXPENSES

In its application, Russell County projected its operating expenses for its initial three years of operations. The Commission has chosen to use its projections for calendar year 1991 to determine Russell County's operating expenses. This period is used because it reflects a full 12-month period of operations. The Commission finds these projections, as adjusted herein, to be reasonable. A projected operating statement for a new utility, however, is only a series of estimates. As it establishes an operating history, Russell County should revise its rates to reflect actual operating expenses.

#### Purchased Gas Expense

Russell County projects its purchased gas expense for the 1991 test year to be \$998,176. This projection is based on a wholesale price of \$3.02 per Mcf and includes an allowance of 2 percent for lost and unaccounted-for gas. Under the terms of its agreement with Columbia Gas Transmission Corporation ("TCO"), Russell County will be served on TCO's Small General Service ("SGS") rate. As of November 1, 1989, this rate is \$3.4799 per dekatherm. The BTU content of this gas will be 1,000 BTU per Mcf. Therefore, the need to apply a conversion factor to determine a price per Mcf does not exist. The rate per Mcf will be the same as the rate per dekatherm. With a 2 percent allowance for lost and unaccounted-for gas, Russell County's gas purchases in 1991 are projected to be 330,816.3 Mcf. At a rate of \$3.4799 per Mcf, Russell County's purchased gas expense will be \$1,151,208.

## Payroll Overhead

Russell County projects its payroll overhead expense to be 12.5 percent of wages, or \$6,800.<sup>2</sup> It projects its required contribution to the state unemployment taxes to be \$4,368 or 8 percent of employee wages. Total payroll expense, therefore, is projected to be 20.5 percent of employee wages.

The Commission finds several errors in Russell County's projections. First, FICA rates are currently 7.51 percent, not 7.15 percent.<sup>3</sup> Second, since Russell County is just beginning operations, its required contributions for unemployment compensation will be only 3 percent of employee wages.<sup>4</sup> Third, Russell County improperly includes city payroll taxes in its payroll overhead expense projection. Such taxes on an employee's wages are deducted directly from an employee's gross payroll. An employer does not pay such a tax, he merely collects it.

Russell County projects expenses associated with workers' compensation insurance to be equal to 4.5 percent of employees' wages. It offers no evidence to support this projection. In

---

|   |                            |               |
|---|----------------------------|---------------|
| 2 | FICA Taxes                 | 7.15%         |
|   | Federal Unemployment Taxes | .75           |
|   | City Payroll Taxes         | .25           |
|   | Workers' Compensation      | <u>4.25</u>   |
|   | Total Payroll Overhead     | <u>12.40%</u> |
| 3 | 26 USC §3111               |               |
| 4 | KRS 341.270(1)             |               |

prior cases involving similar circumstances, the Commission has found 2 percent of wages to be a reasonable estimate of expenses associated with workers' compensation insurance.<sup>5</sup> In view of Russell County's failure to present any evidence to the contrary, the workers' compensation component of payroll overhead expense should be adjusted to 2 percent.

Based on the foregoing, the Commission finds that payroll overhead expense and unemployment compensation contributions will be 13.31 percent of wages or \$7,267.<sup>6</sup>

#### Attorney Fees

Russell County projects its annual attorney fees to be \$6,000. Aside from generalizations about the need for the services of attorneys in the modern business world, it has failed to produce any evidence to support or quantify its expected fees for legal services. Russell County may occasionally require the services of an attorney, for example, to deal with regulatory bodies or governmental units. The Commission believes that \$250

---

<sup>5</sup> See, e.g., Case No. 9586, Application of Ken-Gas of Kentucky, Inc., for a Certificate of Public Convenience and Necessity (February 2, 1988).

<sup>6</sup>

|                             |               |
|-----------------------------|---------------|
| FICA Taxes                  | 7.51%         |
| Federal Unemployment Taxes  | .80           |
| State Unemployment Taxes    | 3.00          |
| Workers' Compensation       | <u>2.00</u>   |
| Total Payroll Overhead      | <u>13.31%</u> |
| \$54,600 x .1331 = \$7,267. |               |

per month, or \$3,000 annually, is a more reasonable estimate for such expenses.

#### Assessment for Maintenance of PSC

Russell County projects its annual assessment for the maintenance of the Commission will be \$2,500. Based on projected gross operating revenues and the current assessment rate, the Commission finds that Russell County's annual assessment will be \$3,231.<sup>7</sup>

#### Billing and Postage Expense

In its application, Russell County projected billing expense to be \$6,000 and postage expense to be \$3,500. It subsequently advised the Commission that, based upon a bid received from AMB Office Service, its postage and billing expense would be \$9,314.<sup>8</sup> The Commission finds this level of expense to be reasonable.

#### Printing Expense

In its application, Russell County projected its printing expense for the test year to be \$2,500. In a subsequent submittal to the Commission, Russell County estimated its total printing expense to be \$3,082. Included in the later estimate was an \$1,880 expense for booklets to educate potential natural gas users. Such an expense is a non-recurring item and is unlikely to be incurred in future years. It should, therefore, be spread over

---

<sup>7</sup>  $2,229,616 \times .001449 = \$3231.$

<sup>8</sup> Russell County Response to Commission Order of September 22, 1989, Exhibit 9.

future years as well as the test year. Based on a 3-year amortization period, the appropriate level of expense is \$1,829.<sup>9</sup>

Depreciation and Amortization Expense

Russell County proposed in its application a depreciation and amortization expense of \$136,950 for the test year.<sup>10</sup> Later, in a response to a Commission information request, it amended this expense to \$173,820.<sup>11</sup>

The Commission finds several errors in Russell County's calculation of depreciation expense. It did not capitalize engineering costs of \$320,000 or net interest cost during construction of \$250,000. It incorrectly included depreciation on lenders' fees and bond issuance costs. These costs should be carried in Account 181, Unamortized Debt Expense, and ratably charged over the life of the debt to Account 428, Amortization of Debt Discount and Expense. Attorneys' fees of \$45,000, included as organization costs related to the bond issuance, should be treated in the same manner. The bond discount should be carried in Account 226, Unamortized Discount on Long-Term Debt, and

---

<sup>9</sup>  $1880 + 3 = \$627.$   
 $\$3,082 - 1,880 + 627 = \$1,829.$

<sup>10</sup>

|                      |                  |
|----------------------|------------------|
| Gas System Cost      | \$125,000        |
| Organization Expense | 4,750            |
| Two Service Trucks   | <u>7,200</u>     |
|                      | <u>\$136,950</u> |

<sup>11</sup> Response to Commission Order of September 29, 1989, Exhibit 7.



amortized to Account 428. Lenders' fees, bond issuance costs, attorneys' fees, and bond discount are not recovered as operating expenses. They have, however, been considered in the Commission's calculation of the allowable effective cost of debt.

The Commission finds the appropriate level of depreciation and amortization expense to be \$167,835 as summarized below:

| <u>Asset</u>           | <u>Original Cost</u> | <u>Life</u> | <u>Current-Year Expense</u> |
|------------------------|----------------------|-------------|-----------------------------|
| Gas Plant              | \$5,076,805          | 35          | \$145,052                   |
| Meters and Regulators  | 148,460              | 20          | 7,423                       |
| Trenchers/Backhoe      | 37,500               | 5           | 7,500                       |
| Trucks                 | 21,800               | 5           | 4,360                       |
| Office Equipment       | 5,000                | 10          | 500                         |
| Fusing Equipment/Tools | 17,500               | 10          | 1,750                       |
| Organization Costs     | 50,000               | 40          | 1,250                       |
|                        | <u>\$5,357,065</u>   |             | <u>\$167,835</u>            |

#### Income Taxes

Russell County projected its income taxes for the test year to be \$56,000. Based on the allowed revenue requirement, the Commission finds that the appropriate level of income taxes will be \$10,369.

#### Interest Expense

Russell County projected interest expense of \$660,100. Based on Exhibit 2 of the response to the Commission's Order dated August 2, 1989, the Commission finds interest expense to be \$597,068.

#### Summary

Based upon Russell County's projections as adjusted, Russell County's test-year operating expenses are as follows:

| <u>Expense</u>              | <u>Proposed</u>    | <u>Adjustments</u> | <u>Adjusted Expenses</u> |
|-----------------------------|--------------------|--------------------|--------------------------|
| Purchased Gas               | \$ 998,176         | \$153,032          | \$1,151,208              |
| Salaries                    | 54,600             |                    | 54,600                   |
| Payroll Overhead            | 11,168             | <3,901>            | 7,267                    |
| Office Rent                 | 5,124              |                    | 5,124                    |
| Utilities                   | 5,400              |                    | 5,400                    |
| Repairs                     | 10,798             |                    | 10,798                   |
| Bad Debts                   | 10,798             |                    | 10,798                   |
| Attorney Fees               | 6,000              | <3,000>            | 3,000                    |
| Insurance                   | 12,000             |                    | 12,000                   |
| Billing Expense & Postage   | 9,500              | <186>              | 9,314                    |
| Printing Cost               | 2,500              | <671>              | 1,829                    |
| Employee Training           | 1,200              |                    | 1,200                    |
| Licenses and Dues           | 1,000              |                    | 1,000                    |
| Property Tax                | 15,000             |                    | 15,000                   |
| PSC Fees                    | 2,500              | 731                | 3,231                    |
| Depreciation & Amortization | 136,950            | 30,885             | 167,835                  |
| Miscellaneous               | 21,598             |                    | 21,598                   |
| Income Taxes                | 56,000             | <45,631>           | 10,369                   |
| Total Operating Expenses    | <u>\$1,360,312</u> | <u>\$131,259</u>   | <u>\$1,491,571</u>       |

#### NET INVESTMENT RATE BASE/CAPITAL STRUCTURE

Russell County did not propose a net investment rate base or capital structure in this proceeding. Based upon the projected plant in service and a working capital allowance equal to one-eighth of operating and maintenance expenses, exclusive of income taxes and purchased gas, Russell County's rate base is \$5,374,148.<sup>12</sup> Its projected capital consists of \$5,940,000 in debt and \$436,000 in equity, which results in a capital structure of 93.16 percent debt and 6.84 percent equity.

|                                |                    |
|--------------------------------|--------------------|
| <sup>12</sup> Plant in Service | \$5,357,065        |
| Working Capital                | <u>17,083</u>      |
| Net Investment Rate Base       | <u>\$5,374,148</u> |

### REVENUE REQUIREMENTS

In view of the significant plant investment required for the proposed construction, the Commission finds that a return on net investment rate should be used to determine revenue requirements. Return on rate base should reflect Russell County's capital structure and the cost rates for its debt and equity. The Commission has determined the effective rate of interest to be 11.927 percent. In its calculation of this rate, the Commission included the amortization of lenders' fees, bond issuance costs, attorneys' fees and bond discount. The Commission has allowed a return on equity of 15 percent, which produces an overall rate of return of 12.14 percent. Applying this rate of return to the approved rate base produces a required operating income of \$652,481 and a total revenue requirement of \$2,144,052.<sup>13</sup>

### SALES VOLUMES AND RATES

For 1991, the second year of operation, Russell County projects sales of 324,200 Mcf based on 1,455 projected customers. These totals include 1,200 residential customers with an average annual usage of 91 Mcf; 220 commercial customers with an average annual usage of 450 Mcf; 26 public and institutional customers with an average annual usage of 1,000 Mcf; and 9 industrial customers with an average annual usage of 10,000 Mcf. At these

---

|                                 |                    |
|---------------------------------|--------------------|
| <sup>13</sup> Operating Expense | \$1,491,571        |
| Required Operating Income       | <u>652,481</u>     |
| Total Revenue Requirement       | <u>\$2,144,052</u> |

levels, residential, commercial, and industrial sales would each account for approximately 30 percent of Russell County's total sales, while public and institutional sales would account for slightly less than 10 percent of the total.

At these volumes, based on the revenue requirement established herein, Russell County's approved rates will be only slightly changed from its proposal and, based on the evidence submitted by Russell County, will result in a price advantage over existing alternative energy sources. The rates allowed herein will provide the required revenues, assuming the projected sales volumes are realized. If the projected sales do not materialize, the required revenues will not be produced. In that event, however, the Commission does not anticipate a request for an increase in rates, because such an increase would lessen or eliminate Russell County's price advantage over other energy sources and possibly cause a loss of customers.

The Commission finds this project to be marginally feasible given the required investment per customer, the relatively high wholesale cost of gas, and the competitive aspects of entering a market where prospective customers are presently using alternate energy sources. If Russell County's projections are accurate, it will have the opportunity to be a successful and profitable gas distributor. If its projections are overly optimistic, Russell County faces an unmanageable debt and/or rate levels of \$8 to \$10 per Mcf, which would erase the price advantage reflected in the rates approved herein. Russell County's financial position and viability will be directly dependent on its sales volumes. Until

its sales approach their projected levels, it may be necessary for Russell County's owners to absorb any earning deficiencies that occur in the early years of operation. Failure to take such a long-term approach could ensure that Russell County will have a short-term existence.

The rates approved herein and set out in the attached Appendix will generate revenues of \$2,144,052 based on Russell County's sales projections for calendar year 1991. The wholesale cost of gas on which the rates are based is TCO's SGS tariff rate of \$3.4799 per dekatherm, effective November 1, 1989.

#### TARIFFS

Russell County has filed its proposed tariffs with the Commission. With certain modifications to the language on deposits, extensions, and discontinuance of service, the tariffs are approved as set out in the Appendix to this Order. The proposed tariffs do not include a purchased gas adjustment clause, a reconnection charge, or a bad check charge. Without such provisions, Russell County has no authority to impose such charges or receive timely adjustment of its rates to coincide with changes in its wholesale cost of gas. Russell County should file proposed tariffs addressing these issues when it files its tariffs setting out the rates and charges approved herein.

#### SUMMARY

After considering the evidence of record and being sufficiently advised, the Commission finds that:

1. On April 6, 1989, the city of Russell Springs awarded Russell County a franchise to construct and operate a natural gas distribution system within its corporate limits for a term of 20 years.

2. On April 13, 1989, the city of Jamestown awarded Russell County a franchise to construct and operate a natural gas distribution system within its corporate limits for a term of 20 years.

3. Estimated total cost of the proposed construction is \$4,655,265.

4. Public convenience and necessity require that the construction proposed in the application and record be performed and that a Certificate of Public Convenience and Necessity should be granted.

5. Russell County should submit to the Commission no later than 7 days prior to the start of the proposed construction a copy of its construction schedule.

6. Russell County should submit to the Commission no later than the date of mechanical completion of the proposed construction a copy of the contract between it and Columbia Gulf for the purchase of gas.

7. Russell County should file with the Commission duly verified documentation of the total cost of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 30 days of the date that mechanical construction is completed. These construction costs should be classified into appropriate plant

accounts in accordance with the Uniform System of Accounts for Gas Utilities prescribed by the Commission.

8. Within 90 days of the date of mechanical completion of the construction, Russell County should furnish a copy of the "as-built" drawings and a signed statement from the project engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

9. Russell County intends to finance the cost of the proposed construction through a loan agreement with the KDFA. The KDFA will issue \$6,058,000 in Tax-Exempt KDFA Revenue Bonds, the proceeds of which will be lent to Russell County. This loan will be amortized over a 20-year period.

10. The proposed borrowing from KDFA is for the lawful objects within the corporate purposes of Russell County, is necessary and appropriate for and consistent with the proper performance by Russell County of its service to the public, and will not impair its ability to perform that service.

11. The proceeds from the proposed loans should be used only for the lawful purposes set out in its application.

12. The rates proposed by Russell County in its application would produce revenues in excess of its total revenue requirements found reasonable herein and, therefore, should be denied.

13. The rates set forth in the Appendix to this Order will generate revenues of \$2,144,052 based on Russell County's sales projections for the calendar year 1991. These rates are fair, just, and reasonable and should be approved for service provided on and after the date of this Order.

14. The rules and regulations set forth in the Appendix to this Order should be approved for service provided on and after the date of this Order.

15. Russell County should be granted a deviation from Commission Regulation 807 KAR 5:022, Section 9(17)(a)2, and be authorized to install, own, operate, and maintain service lines at no cost to the customer. Such an arrangement will provide an incentive to potential customers to convert to natural gas. In those instances where a service line is in excess of 100 feet, Russell County should charge the customer for the additional cost.

IT IS THEREFORE ORDERED that:

1. Russell County is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in the drawings and specifications of record.

2. Russell County shall submit to the Commission no later than 7 days prior to the start of the proposed construction a copy of its construction schedule.

3. Russell County shall submit to the Commission no later than the date of mechanical completion of the proposed construction a copy of the contract between it and Columbia Gulf for the purchase of gas.

4. No deviations from the construction herein that could adversely affect service to any customer shall be done without the prior approval of the Commission.

5. Russell County shall file with the Commission duly verified documentation of the total cost of this project,



including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 30 days of the date that mechanical construction is completed. These construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Gas Utilities prescribed by the Commission.

6. Within 90 days of the date of mechanical completion of the construction, Russell County shall furnish a copy of the "as-built" drawings and a signed statement from the project engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

7. Russell County shall comply with Commission Regulation 807 KAR 5:022 regarding the design, specifications, and construction of the gas system.

8. Russell County is granted a deviation from Commission Regulation 807 KAR 5:022, Section 9(17)(a)2, and is authorized to install, own, operate, and maintain customer service lines at no cost to the customer. For service lines in excess of 100 feet, Russell County shall charge the customer for additional cost.

9. Russell County is authorized to borrow \$6,058,000 from KDFA for a 20-year period to finance its proposed construction. Russell County shall use the proceeds of such borrowing only for the purposes set forth in its application.

10. The rates proposed by Russell County are denied.

11. The rates, rules, and regulations in the Appendix to this Order, attached hereto and incorporated herein, are approved

for service rendered by Russell County on and after the date of this Order.

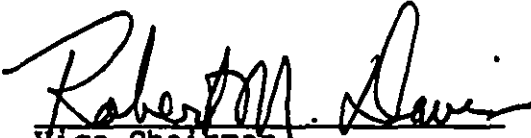
12. Within 30 days of the date of this Order, Russell County shall file with the Commission signed tariff sheets setting out the rates approved herein.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing authorized herein.

Done at Frankfort, Kentucky, this 21st day of November, 1989.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

\_\_\_\_\_  
Commissioner

ATTEST:

\_\_\_\_\_  
Executive Director

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 89-125 DATED November 21, 1989.

The following rates, rules, and regulations are prescribed  
for service rendered by Russell County Gas Utility, Inc.

CONDITIONS OF SERVICE

**Availability:**

Available within all areas served by Russell Co.

**Applicability:**

Applicable for general use by residential, commercial, public  
and institutional, and industrial customers.

**Character of Service:**

Firm service within the reasonable limits of the Company's  
capability to provide said service.

Rate Schedules

Billing Rate

All Customers: Monthly Customer Charge

\$4.00

Residential and Commercial: All Mcf

\$6.7558

Public, Institutional and  
Industrial: All Mcf

\$5.7558

Rules and Regulations

1. Expenditures for Plant Additions

Before beginning construction of any project or plant  
additions with a cost exceeding \$10,000, plans will be submitted  
to the Commission for approval.

2. Reports

Quarterly financial statements will be filed with the  
Commission within 60 days after the end of the quarter covered by  
the report.

### 3. Records

All records required by the Commission will be kept at the Company office located at Key Village Shopping Center, Russell Springs, Kentucky 42642. All such records shall be preserved for the period of time specified for gas companies and shall comply with the Uniform System of Accounts ("USoA") as adopted by the Commission.

### 4. Pipeline Safety Rules

The Operations and Maintenance Procedure Manual filed with the Commission will be kept current with applicable laws and used as a guide in complying with all pipeline safety regulations.

### 5. Standard Heating Value of Gas

The heating value of gas supplied to customers shall have a minimum heating value equal the heating value of the gas furnished by the Company's supplier or suppliers. (This generally varies between 1,000 and 1,040 Btu per cubic foot of gas.)

### 6. Customer Service Requests

Each customer desiring service shall request the service by writing, phoning or by appearing in person at the Company office in Russell Springs, Kentucky. This is required to secure information from the customer in order to process the paperwork and to give proper service.

### 7. Deposits

Cash deposits to guarantee payment of current bills for gas service may be required as follows: rental houses, apartments, mobile homes and customer-owned houses - \$25.00; small commercial - \$35.00. The above deposits may be increased to an estimation of two/twelfths of a customer's average annual bill.

### 8. Extension Policy

A. Service Lines. A service line will be installed free of charge up to 100 feet from an existing gas main to a permanent dwelling. The service line riser location will be determined by the Company. Service lines of more than 100 feet may entail an extra charge for labor and material.

B. Main Extensions. Gas mains will be extended without charge if a feasibility study shows that gas consumption would economically support an extension.

9. Company Owned Equipment on Customer's Property

The Company will normally furnish, own, and maintain a service line, gas shut-off valve, pressure regulator with proper relief devices, and a gas meter on the customer's property.

10. Measurement of Gas

The gas supplied to residential and small commercial users will be measured using a temperature compensating meter (Rockwell or American Meter). Large commercial and industrial customers will be measured as specified in the gas contract between the customer and the Company.

11. Meter Reading and Billing

Meters will be read monthly on a scheduled cycle basis with a bill for the gas consumed during the billing period mailed to the customer by the fifth day after the reading. The bill rendered will be based on the rate schedules or existing contracts between the customer and the Company.

12. Discontinuance or Suspension for Nonpayment

Residential and small commercial customers' bills become due within 10 days of issuance and become delinquent if not paid within 30 days of issuance. A service charge of 5 percent will be added if the bill is not paid by the end of the 30 days. At this time, the customer will be notified that service will be discontinued if the bill is not paid within 20 days.

13. Services Provided Free to Customers

The Company will provide free of charge to residential and small commercial customers during regular working hours:

1. burner adjustments on furnaces, water heaters, dryers, and cook stoves,
2. clean and adjust pilot lights on furnaces, water heaters, dryers and cook stoves; and
3. check for gas leaks.

There will be a charge for the above services if required to be done after regular working hours or if repeated frequently for the same customer. Any other type of service work or repair done for the customer will be charged for.

**14. Gas Wastage**

If wastage occurs without customer knowledge, the bill will be adjusted by 1/2 the difference between the cost of gas to the Company and the rate at the time of the wastage.

**15. Situations Not Covered by These General Rules and Regulations**

For situations not covered by the above, the President of the Company or his designated representative is authorized to determine what procedure should be followed in compliance with the rules and regulations of the Commission.